# Senior Leader Guidance on Way Ahead for USMC ABC Capability (Cost and Performance Information)

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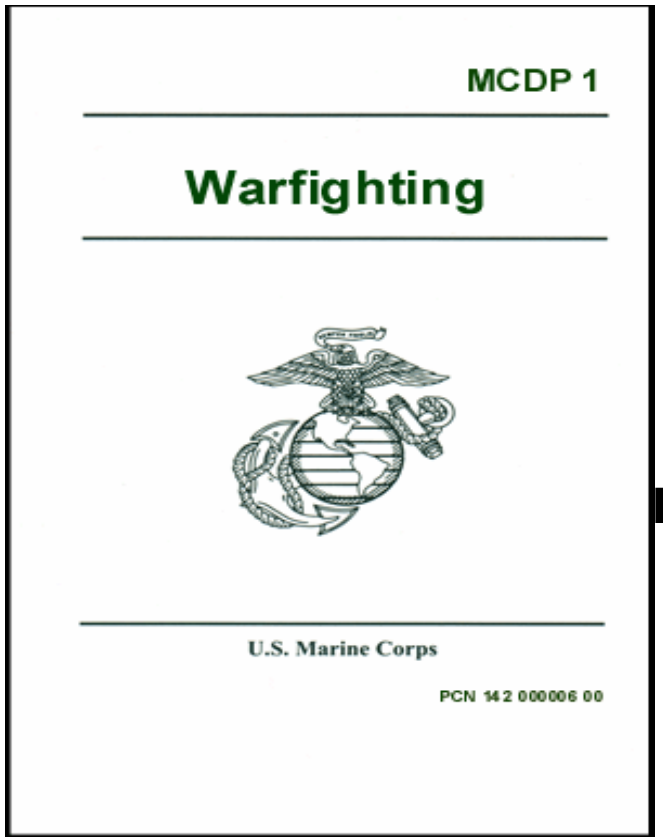
# The Bottom Line: The Warfighting Principle of Focus




**”To devote means to unnecessary efforts or excessive means to necessary secondary efforts**

**violates the principle of focus….**

**Focus applies not only to the conduct of war but also to the preparation for war.”**

ABCM is designed to help us achieve this focus through a fact-basis for installation resource decisions.

# Agenda and Purpose

- **Brief Senior Leadership on:**
  - Demand for USMC Cost and Performance Information
  - The role Activity-based Costing (ABC) plays in providing Cost and Performance (C&P) information
  - Potential COAs for generating C&P/ABC information
- **Seek direction on:**
  - Course that USMC should take regarding the collection of Cost and Performance information in general, and ABC information in particular

# Purpose of ABC for the USMC

Substantiate POM Initiatives

- Build Balanced Scorecard
- **Identify Cost Drivers**
- **Quantify POM initiatives**
- **Conduct Comparative analysis**

Demonstrate program costs

- **Support CPI/Lean Six Sigma**
- **Identify Indirect Overhead Costs**
- **Calculate Total Cost of Service**
- **Calculate Unit Costs**

Apply Execution data

- **Benchmarking & Best Practices**
- **BRAC, MOU negotiations**
- **SFFAS #4 compliance**
- **DRRS, CDIS, PAR support**

# Background

- **USMC Enterprise ABC effort began in April 1999**
  - LF introduced ABC to bases (mid 90's) using Army Corps of Engineers model
  - Enterprise ABC requested for local use by MarFor/base commanders in Apr 98 to support POM98 and A-76 wedges
  - Enterprise ABC was approved by ACMC – assigned to LR for implementation
  - Competition for software provider completed in Jun 99 – installed at 22 sites by 2000
  - Per base MarFor/ base commander input, LR coordinated development of model standards in 00 -02 - permitting comparative analysis of base operations data
  - Shared data warehouse created single interface to legacy systems greatly simplifying work of installation ABC models at 22 sites by 2005

- **ROI on ABC investment**
  - Invested approximately $6M for software, training, consultant support
  - Return reported by MARFORS approximately $35M in FY01(met POM wedge)
  - Installations complied with FASAB cost management standards
  - Developed internal ABC capability and ended reliance on consultants
  - Enhanced USMC reputation.  Awarded CAM-I's Cost Management Award in 2005

# ABC - Current Situation

## No steady HQ demand for ABC information

- Data occasionally used at HQ level on ad hoc RFI basis
- Primary HQ customers, LF & MCCS, do not use at all

## Demand for ABC results by field commanders mixed

- MARFORCOM, MARFORPAC and LOGCOM would like to continue ABC
- Some bases and HQ elements would like to discontinue ABC
- MCI West briefed Marine Installation Board on information needs - May 07

## Installation ABC models are now out of date

- Current ABC models too complex, not updated in a year
- Lost use of models for benchmarking
- Current ABC software needs to be upgraded

# Coordination

- **Conducted detailed field survey during 2006**
- **Coordinated proposed way ahead in 2007 MCATS tasker**

# ABC Courses of Action

- **COA1: Discontinue ABC Support (cost = $0)**
  - Bases not required to use ABC
  - No HQ support for data warehouse
- **COA2: Continue ABC on Life Support ($600K FY08)**
  - COA 2a -- Bases not required to use ABC
  - COA 2b – Bases required to submit ABC models
  - HQ supports data warehouse, ABC Model simplified, standardized.
- **COA3: Revitalize ABC Capability ($1.6M)**
  - Bases required to use standard ABC model framework
  - ABC software upgraded and modelers trained in its use
  - ABC model results are used by MCIs for benchmarking
  - USMC-wide data can be used to support USMC cost and performance requirements: CDIS, POM, DRRS, PART, PAR

# Course of Action Positions

| | | |
|---|---|---|
| MCRD PI: | COA3 | Revitalize |
| Support | | |
| MARFORCOM | COA2 | |
| MARFORPAC | COA2 | Continue |
| Life Support | | |
| LOGCOM | COA2 | (As is) |
| MARFORRES | COA1 | |
| MCCS | COA1 | |
| MCB QUANTICO | COA1 | Discontinue |
| Support | | |
| I&L (LF) | COA1 | |
| MCRD SD | COA1 | |

ABC USER SURVEY RESULTS COA2

# COA 1: Discontinue ABC Support

**COA 1:Discontinue HQ ABC support of data warehouse.**

- Bases have option to use ABC software.
- HQ Stops funding data warehouse and modeling COP support
- No cost

- **Pros:**
  - Allows for redirection of installation BPO staff

- **Cons:**
  - Visibility lost about what work consumes time spent by 17,000 Marines assigned to bases and stations
  - Loss of cost management capability still requested by bases
  - Loss of tool that could be of useful for LSS, DRRS, CDIS.
  - Data warehouse saves many hours of time to extract data from 8 legacy systems. Instead of one inquiry, will have potentially 22 inquiries into each legacy system.

# COA 2a: Continue ABC On Life Support

**COA 2a: HQ funds only ABC Data Warehouse support, bases sustain modeling COP.**

- Bases not required to build or post standard ABC models.
- HQ coordinates simplified ABC model standardization.
- HQ funds $600K to support shared data warehouse

- Pros:
  - Base commanders continue to receive requested ABC support
  - Full cost of operations is calculated in accordance with SFFAS#4
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned on bases and stations.
  - Data warehouse reduces work at all bases to populate models
- Cons:
  - Optional ABC models precludes region-wide benchmarking
  - No support for USMC-wide CDIS reporting requirements
  - Funds to support data warehouse have not been identified.

# COA 2b: Continue ABC on Life Support

**COA 2b**: **HQ funds only ABC Data Warehouse support, bases sustain modeling COP.**

- Bases required to build and post standard ABC models.
- HQ coordinates simplified ABC model standardization.
- HQ funds $600K to support shared data warehouse

- **Pros:**
  - Base commanders continue to receive requested ABC support
  - Full cost of operations is calculated in accordance with SFFAS#4
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned to bases and stations
  - Since all bases required to complete ABC models, data can be used by MCI's to benchmark performance
  - ABC results can be used to defend POM filings, CDIS elements.
  - Data warehouse reduces work at all bases to populate models
- **Cons**:
  - Using older version of ABC software is labor intensive
  - Funds to support data warehouse have not been identified.

# COA 3: Revitalize ABC Capability

## COA 3: HQ Funds software upgrade, modeler training.

- Bases required to build and post standard ABC models.
- HQ coordinates ABC model standardization.
- HQ funds $1.6M to support warehouse, training, software refresh

- Pros:
  - Total cost of operations is calculated in accordance with SFFAS#4.
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned to duty on bases and stations
  - Data can be used to satisfy cost and performance data requirements: LSS, CDIS, DRRS, etc.
  - New software is compatible with NMCI, supported by vendor
  - New software is compatible with CNI = integrated DON capability.
- Cons:
  - Base commanders have not indicated need for upgraded software
  - Funds to support data warehouse, purchase and install new ABC software, and train users, have not been identified.

# Recommendation

## COA 3: Revitalize ABC Capability

- Bases required to build and post standard ABC models.
- HQ coordinates ABC model standardization.
- HQ funds $1.6M to support warehouse, training, software refresh

- **Pros**:
  - Total cost of operations is calculated in accordance with SFFAS#4.
  - Visibility is gained about what work consumes time spent by 17,000 Marines assigned to duty on bases and stations
  - Data can be used to satisfy cost and performance data requirements: LSS, CDIS, DRRS, etc.
  - New software is compatible with NMCI, supported by vendor
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- **Cons**:
  - Base commanders have not indicated need for upgraded software
  - Funds to support data warehouse, purchase and install new ABC software, and train users, have not been identified.

# Backup

# Selected Comments - MCATS May 07

## In Favor

**ABC data provides a holistic view of resource consumption**

MARFORPAC

**ABC supports process improvement programs**

MARFORCOM

**“ABC used successfully for A76, Lean Six Sigma, and strategic planning.”**

MCRD Parris Island

## Opposed

**ABC Data not timely, relevant.**

MARFORRES

**Resources not available to do both ABCM and Continuous Process Improvement (CPI)**

MARCORBASESLANT

**ABC data is “unusable or unavailable.”**

I&L (LF)

# 30 Jan ABC Survey/Report

Report by John Miller, Jim Schmook, and Steve Player

- **Initial local use by base commanders to reduce operating costs and meet budget realignment objectives worked**
- **Subsequent enterprise efforts to standardize models have not achieved expectations**
- **The appropriated fund environment of "spend or lose funding" militates against cost reducing initiatives**
- **PPBES driven culture is displacing the ABC/M effort**
  - PPBES could be leveraging ABC as only source of total cost and mil labor
  - Use of ABCM to support decisions is low at all command levels
  - Current usage, benefits and ROI do not meet expectations
- **3 COAS identified**
  - Make ABC/M optional
  - Revise the strategy and refresh the software
  - Modify ABC/M to a limited MC Cost/performance requirement

# Who Demands Cost and Performance Data?

## CONGRESS

Prepare performance plan covering each program in the budget

**GPRA**

## PRESIDENT

Integrate performance with associated cost.

**President's Management Agenda**

## SECDEF

Integrate Budget and Performance

**MID910**

## SECNAV

*All* costs associated with the process… must be considered [emphasis added]

**SECNAV Memo**

## CMC

"Analyze cost and performance data…."

**MARADMIN 320/03**

## CNO

" Readiness at cost."

**Navy Playbook, June 2007**

## FASAB

Managerial Cost Account Standards

**SFFAS #4**

# Program Assessment Rating Tool (PART)

## DoD Base Operations & Support

## 2006 Assessments by OMB

**US Army Rating**: Performing

**"The Army has managed to continue providing critical services with little to no interruption…."**

**US Navy Rating:** Performing

**"The program has a clear purpose and is guided by useful performance measures…."**

**US Air Force Rating:** Not Performing

**"The program lacks a uniform set of performance measures to ensure efficient allocation of resources across air bases worldwide."**

**US Marine Corps Rating:** Not Performing

**"The program lacks outcome-based metrics that would enable military leadership to determine whether base support services are provided at an appropriate level."**

# What Cost and Performance Information Can Mean to the Warfighter

**CMC**
(Strategic Readiness)

**Are Forces Ready?**
**DoD Balanced Scorecard**

**MEF**
(Tactical Readiness)

**Launch Aircraft**
**DRRS**

**Outcome Metrics**

Hours to Initiate Launch

Night Launch/Recovery Cycle Time

Day Launch/Recovery Cycle Time

**HQMC**
(POM-Cost of 80%/90%/100% Availability)

**Airfield Support**
**CDIS**

**Output Metrics**

% Airfield Operational

% ATC Equipment Operational

% Weather Forecasts Accurate

**MCI**
(Efficient Operations)

**Aviation Operations**
**ABC**

**Unit Costs**

Cost per aircraft launched

Cost/hr ATC operations

Cost per Weather forecast

# Example of ABC Total Cost Information

**Summary of 37 Major Business Processes**

| USMC Installations | FTE 1/ | Personnel | Supplies | Travel | Contracts | Equipment | Utilities | Transportation | Printing | Other Expenses | Personnel Other | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Log Bases** | | | | | | | | | | | | |
| MCLB Albany | 629 | $ 39,277,596 | $ 5,166,976 | $ 709,328 | $ 12,726,457 | $ 1,165,462 | $ 4,948,405 | $ 51,615 | $ 2,031 | $ - | $ 1,267,732 | $ 65,315,602 |
| MCLB Barstow | 167 | 38,980,597 | 2,575,605 | 403,420 | 22,059,060 | 2,136,704 | 4,881,109 | 35,041 | 22,384 | 339 | 21,997 | 71,116,256 |
| Subtotal Log Bases | 796 | 78,258,193 | 7,742,581 | 1,112,748 | 34,785,517 | 3,302,166 | 9,829,514 | 86,656 | 24,415 | 339 | 1,289,729 | 136,431,858 |
| **MARFORPAC** | | | | | | | | | | | | |
| MCB Camp Butler | 5,781 | 198,988,118 | 39,928,898 | 4,348,181 | 47,740,941 | 11,704,645 | 26,773,673 | 333,461 | 137,336 | 1,133,070 | 37,261,290 | 368,349,613 |
| MCAS Miramar | 1,388 | 60,403,907 | 9,048,057 | 1,524,174 | 31,931,827 | 2,080,950 | 16,078,195 | 256,363 | - | 674,989 | 15,523,158 | 137,521,620 |
| MCAS Yuma | 1,391 | 44,898,328 | 9,529,967 | 978,905 | 25,551,552 | 1,413,650 | 5,195,950 | 190,022 | - | 2,869,930 | 15,534,350 | 106,162,654 |
| MCAGTFTC 29 Palms | 2,431 | 83,524,224 | 45,224,699 | 1,277,525 | 47,234,932 | 3,334,015 | 14,422,415 | 8,973 | 298,614 | 1,959,112 | 14,737,694 | 212,022,203 |
| MCAS Iwakuni | 2,143 | 75,107,450 | 16,259,810 | 1,280,011 | 12,862,443 | 3,088,006 | 253,671 | - | 3,360 | 2,264,829 | 14,055,253 | 125,174,833 |
| MCB Camp Pendleton | 2,608 | 129,737,385 | 31,047,048 | 1,717,601 | 65,421,097 | 9,966,268 | 13,156,038 | (47,135) | 97,723 | 3,298,786 | 9,342,134 | 263,736,945 |
| MCB Hawaii | 2,322 | 82,298,190 | 44,715,180 | 1,996,580 | 40,275,050 | 187,974 | 14,230,111 | - | - | 1,297,356 | 70,042,280 | 255,042,721 |
| MCAS Camp Pendleton | 346 | 14,378,594 | 1,769,570 | 116,963 | 961,909 | 122,957 | 2,127,919 | - | - | 33,521 | 3,538,260 | 23,049,693 |
| Subtotal MARFORPAC | 18,410 | 689,336,196 | 197,523,229 | 13,239,940 | 271,979,751 | 31,898,465 | 92,237,972 | 741,684 | 537,033 | 13,531,593 | 180,034,419 | 1,491,060,282 |
| **MCRD** | | | | | | | | | | | | |
| MCRD San Diego | 1,944 | 115,307,535 | 13,992,740 | 906,905 | 26,058,903 | 1,777,256 | 7,150,536 | 151,579 | - | 243,916 | 5,839,121 | 171,428,491 |
| MCRD Parris Island | 2,270 | 111,754,913 | 35,089,167 | 1,102,555 | 34,605,552 | 2,272,860 | 5,434,694 | - | 8,292 | 283,712 | 294,573 | 190,846,318 |
| Subtotal MCRD | 4,214 | 227,062,448 | 49,081,907 | 2,009,460 | 60,664,455 | 4,050,116 | 12,585,230 | 151,579 | 8,292 | 527,628 | 6,133,694 | 362,274,809 |
| **MARFORLANT** | | | | | | | | | | | | |
| MCAS Cherry Point | 2,606 | 99,416,973 | 16,180,121 | 1,233,686 | 39,066,005 | 2,415,995 | 15,250,942 | 1,550 | 94,282 | 395,017 | 22,090,629 | 196,145,200 |
| MCAS Beaufort | 1,542 | 47,180,083 | 5,908,152 | 466,741 | 32,345,455 | 1,216,193 | 5,549,672 | 16,500 | 122 | 1,143,609 | 17,739,561 | 111,566,088 |
| MCAS New River | 921 | 28,049,761 | 3,474,586 | 209,651 | 2,362,471 | 364,756 | 161,181 | - | 15,510 | 951,032 | 10,252,344 | 45,841,292 |
| MCAF Quantico | 256 | 13,293,402 | 1,568,500 | 91,568 | 8,128,812 | 20,403 | 139,704 | - | 720 | 12,600 | 90,665 | 23,346,374 |
| MCB Camp Lejeune | 4,704 | 170,012,811 | 134,780,334 | 3,655,318 | 122,627,939 | 15,971,893 | 31,737,658 | 2,079,581 | 378,553 | 4,289,042 | 106,532,109 | 592,065,238 |
| Subtotal MARFORLANT | 10,029 | 357,953,030 | 161,911,693 | 5,656,964 | 204,530,682 | 19,989,240 | 52,839,157 | 2,097,631 | 489,187 | 6,791,300 | 156,705,308 | 968,964,192 |
| **Other Commands** | | | | | | | | | | | | |
| MCSD Kansas City | 160 | 9,972,333 | 793,602 | 297,366 | 3,748,775 | 313,825 | 1,535,908 | 26,449 | 52,666 | 73,437 | 217,460 | 17,031,821 |
| MCB Quantico | 2,065 | 103,970,415 | 21,278,364 | 1,324,728 | 44,235,297 | 3,558,275 | 15,380,494 | 77 | 161,971 | 94 | 92,196 | 190,001,911 |
| Marine Barracks 8th and I | 944 | 44,179,059 | 3,492,137 | 1,165,675 | 3,295,852 | 929,936 | 3,003,602 | 23,981 | 43,841 | 1,506,345 | - | 57,640,428 |
| Subtotal Other Commands | 3,169 | 158,121,807 | 25,564,103 | 2,787,769 | 51,279,924 | 4,802,036 | 19,920,004 | 50,507 | 258,478 | 1,579,876 | 309,656 | 264,674,160 |
| **USMC Headquarters** | 36,618 | $ 1,510,731,674 | $ 441,823,513 | $ 24,806,881 | $ 623,240,329 | $ 64,042,023 | $ 187,411,877 | $ 3,128,057 | $ 1,317,405 | $ 22,430,736 | $ 344,472,806 | $ 3,223,405,301 |

1/ FTE =Total Civilian, NAF and Military

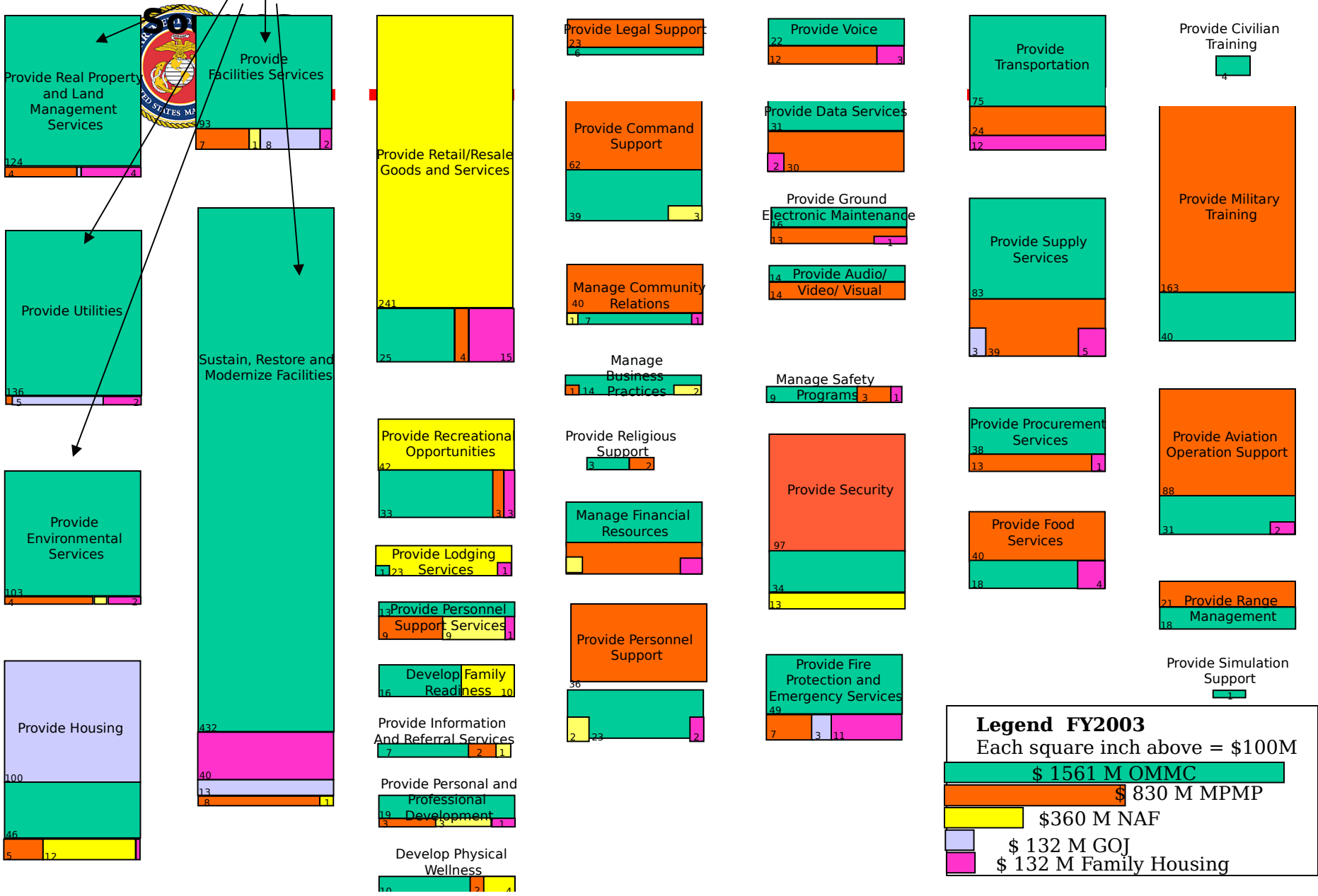
# ABC FTE Information Sample

| FY03 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Family Housing | OMMC | Military | NAF | O&M Def | National | Other | **Totals** |
| **Command and Staff Support** | **10.27** | **1,235.02** | **4,148.67** | **273.00** | **11.41** | **157.13** | **1.27** | **5,837.62** |
| Provide Command Support | 4.67 | 274.29 | 1,017.06 | 28.00 | 5.93 | 8.00 | 0.00 | 1,337.96 |
| Manage Financial Resources | 4.91 | 424.58 | 488.93 | 64.00 | 0.00 | 60.65 | 0.00 | 1,043.85 |
| Provide Legal Support | 0.00 | 63.87 | 345.54 | 0.00 | 0.00 | 9.00 | 0.00 | 418.41 |
| Provide Personnel Support | 0.41 | 320.85 | 1,363.17 | 181.00 | 5.20 | 48.56 | 0.00 | 1,919.19 |
| Manage Community Relations | 0.28 | 47.78 | 812.70 | 0.00 | 0.28 | 21.57 | 0.27 | 882.88 |
| Manage Business Practices | 0.00 | 87.24 | 11.33 | 0.00 | 0.00 | 5.35 | 1.00 | 105.00 |
| Provide Religious Support | 0.00 | 16.40 | 109.94 | 0.00 | 0.00 | 4.00 | 0.00 | 130.34 |
| | | | | | | | | |
| **Information Technology** | **1.00** | **418.60** | **1,205.23** | **1.00** | **0.99** | **167.94** | **0.00** | **1,794.75** |
| Provide Data Services | 1.00 | 225.65 | 656.58 | 1.00 | 0.99 | 56.94 | 0.00 | 942.17 |
| Provide Voice | 0.00 | 128.68 | 271.89 | 0.00 | 0.00 | 78.00 | 0.00 | 478.57 |
| Provide Ground Electronic Maintenance | 0.00 | 64.26 | 276.75 | 0.00 | 0.00 | 33.00 | 0.00 | 374.01 |
| | | | | | | | | |
| **Logistics Support** | **1.00** | **1,114.93** | **2,052.92** | **4.00** | **0.00** | **636.22** | **0.00** | **3,811.07** |
| Provide Supply Services | 0.00 | 277.66 | 777.69 | 0.00 | 0.00 | 131.38 | 0.00 | 1,186.72 |
| Provide Transportation | 1.00 | 512.15 | 532.47 | 0.00 | 0.00 | 306.99 | 0.00 | 1,353.60 |
| Provide Food Services | 0.00 | 30.94 | 443.21 | 0.00 | 0.00 | 161.08 | 0.00 | 635.23 |
| Provide Procurement Services | 0.00 | 294.19 | 299.56 | 4.00 | 0.00 | 36.77 | 0.00 | 635.52 |
| | | | | | | | | |
| **Security and Safety** | **42.70** | **1,198.92** | **2,827.08** | **17.00** | **0.00** | **584.51** | **0.00** | **4,670.21** |
| Provide Security | 0.00 | 318.82 | 2,601.35 | 17.00 | 0.00 | 329.81 | 0.00 | 3,266.98 |
| Provide Fire Protection and Emergency Services | 42.70 | 764.89 | 172.49 | 0.00 | 0.00 | 232.70 | 0.00 | 1,212.78 |
| Manage Safety Programs | 0.00 | 115.21 | 53.24 | 0.00 | 0.00 | 22.00 | 0.00 | 190.45 |
| | | | | | | | | |
| **Facilities and Land Management** | **305.59** | **3,090.06** | **601.47** | **101.63** | **0.00** | **1,226.94** | **0.00** | **5,325.69** |
| Provide Housing | 142.53 | 171.99 | 99.76 | 36.11 | 0.00 | 11.70 | 0.00 | 462.09 |
| Provide Facilities Services | 11.96 | 502.74 | 132.42 | 49.00 | 0.00 | 45.91 | 0.00 | 742.02 |
| Sustain Restore and Modernize Facilities | 133.87 | 1,089.58 | 165.46 | 0.00 | 0.00 | 999.68 | 0.00 | 2,388.59 |
| Provide Environmental Services | 0.99 | 407.97 | 77.55 | 16.52 | 0.00 | 40.93 | 0.00 | 543.96 |
| Provide Real Property and Land Management Services | 1.99 | 304.65 | 120.12 | 0.00 | 0.00 | 79.28 | 0.00 | 506.05 |
| Provide Utilities | 14.25 | 613.13 | 6.15 | 0.00 | 0.00 | 49.44 | 0.00 | 682.97 |
| | | | | | | | | |
| **Community Services** | **0.00** | **941.28** | **462.18** | **3,662.82** | **107.60** | **903.05** | **21.01** | **6,097.95** |
| Provide Recreational Opportunities | 0.00 | 223.46 | 72.06 | 801.87 | 0.38 | 141.21 | 4.58 | 1,243.57 |
| Provide Personal and Professional Development | 0.00 | 167.74 | 56.64 | 121.82 | 19.24 | 51.75 | 0.02 | 417.21 |
| Provide Personal Support Services | 0.00 | 82.97 | 174.29 | 5.42 | 71.29 | 39.00 | 5.86 | 378.82 |
| Provide Lodging Services | 0.00 | 3.58 | 4.02 | 294.55 | 0.00 | 48.85 | 0.00 | 351.00 |
| Provide Retail/Resale Goods and Services | 0.00 | 168.79 | 67.85 | 2,002.29 | 0.05 | 606.54 | 1.98 | 2,847.50 |
| Develop Family Readiness | 0.00 | 136.03 | 3.54 | 174.09 | 0.40 | 6.50 | 1.77 | 322.33 |
| Develop Physical Wellness | 0.00 | 60.81 | 35.84 | 247.78 | 0.00 | 2.89 | 3.13 | 350.45 |
| Provide Information and Referral Services | 0.00 | 97.92 | 47.94 | 15.00 | 16.24 | 6.31 | 3.66 | 187.06 |
| | | | | | | | | |
| **Training and Operations Support** | **1.09** | **723.22** | **5,879.81** | **7.28** | **0.48** | **86.53** | **0.00** | **6,698.41** |
| Provide Military Training | 0.00 | 226.37 | 3,255.59 | 6.50 | 0.00 | 17.00 | 0.00 | 3,505.47 |
| Provide Range Management | 0.00 | 164.37 | 465.68 | 0.00 | 0.00 | 7.00 | 0.00 | 637.04 |
| Provide Visual Information | 0.00 | 66.39 | 299.75 | 0.00 | 0.00 | 16.60 | 0.00 | 382.74 |
| Provide Civilian Training | 1.09 | 54.68 | 5.02 | 0.78 | 0.48 | 1.73 | 0.00 | 63.77 |
| Provide Simulation Support | 0.00 | 9.42 | 4.51 | 0.00 | 0.00 | 0.00 | 0.00 | 13.93 |
| Provide Aviation Operation Support | 0.00 | 202.00 | 1,849.26 | 0.00 | 0.00 | 44.20 | 0.00 | 2,095.46 |
| | | | | | | | | |
| **Not Attributed** | **0.00** | **158.52** | **913.67** | **0.00** | **0.91** | **0.00** | **0.00** | **1,234.71** |
| | | | | | | | | |
| **Installation Process Totals** | **361.64** | **8,880.56** | **18,091.02** | **4,066.73** | **121.39** | **3,762.32** | **22.28** | **35,470.41** |

# Sample ABC Info

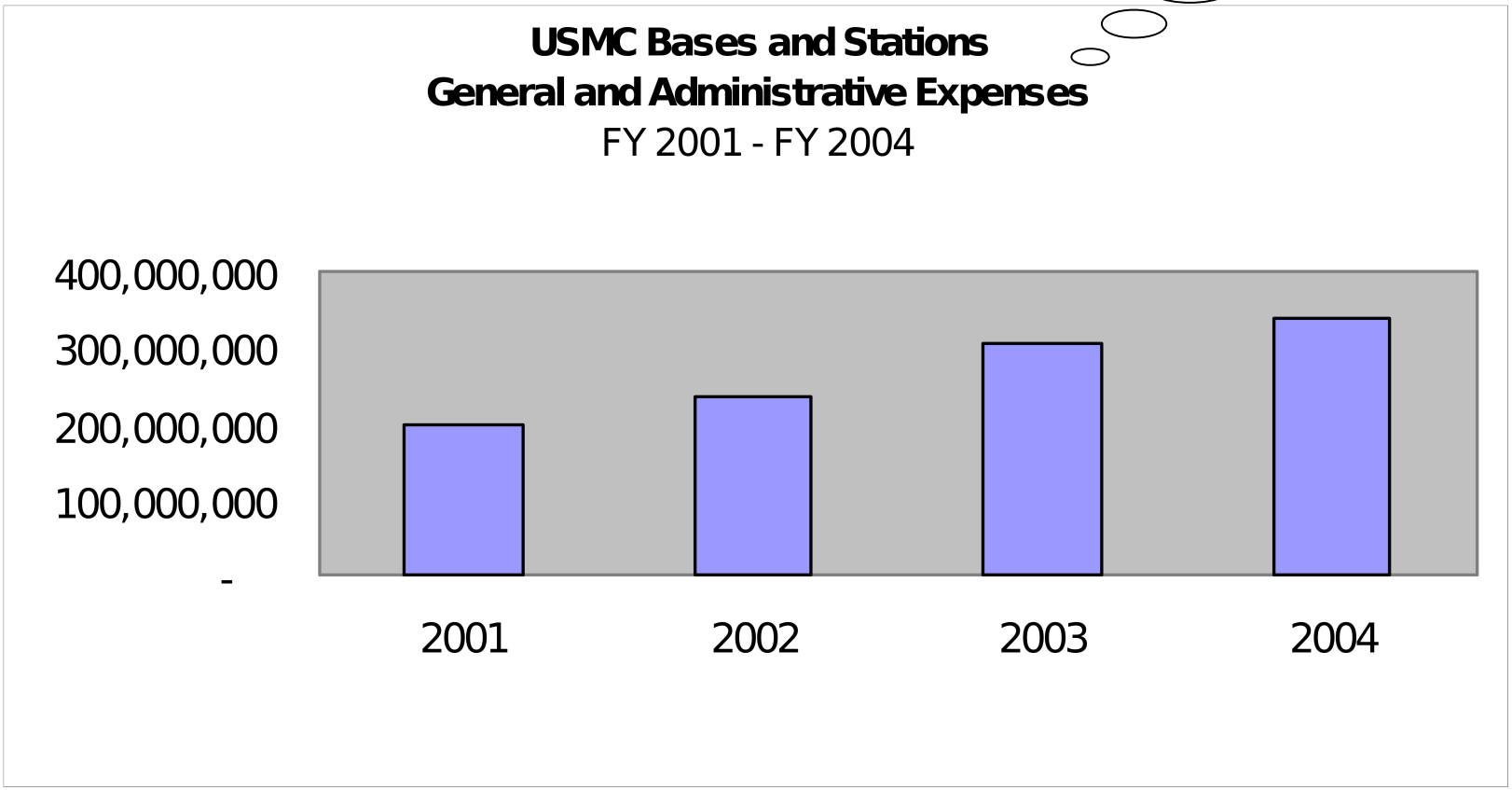
| Installation TOTAL | FY 2000 | % of Total | FY 2001 | % of Total | FY 2004 | % of Total | FY 2005 | % of Total | FY00-01 % Change | FY01-04 % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Support and Revenue** | $2,664,343,336 | 100.00% | $2,964,432,709 | 100.00% | $3,300,208,616 | 100.00% | $2,676,224,264 | 100.00% | 11.26% | 11.33% |
| **General and Administrative Overhead** | | | | | | | | | | |
| Personnel Support | $71,608,136 | 2.69% | $54,788,303 | 1.85% | $122,228,950 | 3.70% | $91,422,287 | 3.42% | -23.49% | 123.09% |
| Provide Command Support | $92,986,590 | 3.49% | $62,194,979 | 2.10% | $134,710,575 | 4.08% | $78,778,336 | 2.94% | -33.11% | 116.59% |
| Manage Financial Resources | $73,549,450 | 2.76% | $58,010,977 | 1.96% | $74,927,096 | 2.27% | $59,512,491 | 2.22% | -21.13% | 29.16% |
| Provide Legal Support | $18,521,967 | 0.70% | $20,829,421 | 0.70% | $35,116,619 | 1.06% | $31,131,116 | 1.16% | 12.46% | 68.59% |
| Manage Community Relations | $27,039,280 | 1.01% | $27,728,428 | 0.94% | $33,428,320 | 1.01% | $31,828,153 | 1.19% | 2.55% | 20.56% |
| Provide Religious Support | $11,225,793 | 0.42% | $11,915,657 | 0.40% | $14,199,986 | 0.43% | $9,084,139 | 0.34% | 6.15% | 19.17% |
| Manage Business Practices | $50,145,826 | 1.88% | $10,846,036 | 0.37% | $12,959,216 | 0.39% | $6,564,299 | 0.25% | -78.37% | 19.48% |
| **Command and Staff Support** | $345,077,042 | 12.95% | $246,313,801 | 8.31% | $427,570,762 | 12.96% | $308,320,821 | 11.52% | -28.62% | 73.59% |
| **Available for Program Services** | $2,319,266,294 | 87.05% | $2,718,118,908 | 91.69% | $2,872,637,854 | 87.04% | $2,367,903,443 | 88.48% | 17.20% | 5.68% |
| **Support for Operating Forces** | | | | | | | | | | |
| Provide Housing | $100,940,481 | 3.79% | $130,852,682 | 4.41% | $160,471,028 | 4.86% | $118,011,630 | 4.41% | 29.63% | 22.63% |
| Provide Facilities Services | $94,570,028 | 3.55% | $100,203,834 | 3.38% | $129,492,443 | 3.92% | $155,264,751 | 5.80% | 5.96% | 29.23% |
| Sustain Restore and Modernize Facilities | $426,514,411 | 16.01% | $438,722,222 | 14.80% | $316,115,746 | 9.58% | $278,725,620 | 10.41% | 2.86% | -27.95% |
| Provide Real Property Services and Land Mgmt | $67,873,326 | 2.55% | $126,534,731 | 4.27% | $194,232,590 | 5.89% | $194,661,056 | 7.27% | 86.43% | 53.50% |
| Provide Environmental Services | $110,408,933 | 4.14% | $131,838,169 | 4.45% | $100,610,803 | 3.05% | $108,527,333 | 4.06% | 19.41% | -23.69% |
| Provide Utilities | $162,313,417 | 6.09% | $183,505,246 | 6.19% | $169,551,713 | 5.14% | $215,760,576 | 8.06% | 13.06% | -7.60% |
| **Facilities and Land Management** | $962,620,596 | 36.13% | $1,111,656,884 | 37.50% | $1,070,474,323 | 32.44% | $1,070,950,966 | 40.02% | 15.48% | -3.70% |
| Provide Procurement/Supply Services | $226,811,357 | 3.17% | $180,605,380 | 6.09% | $198,726,776 | 6.02% | $146,616,815 | 5.48% | -20.37% | 10.03% |
| Provide Transportation | $84,443,463 | 4.60% | $92,028,373 | 3.10% | $107,930,597 | 3.27% | $102,808,418 | 3.84% | 8.98% | 17.28% |
| Provide Food Services | $122,577,520 | 4.60% | $177,138,500 | 5.98% | $71,850,487 | 2.18% | $60,272,345 | 2.25% | 44.51% | -59.44% |
| **Logistics Support** | $433,832,340 | 16.28% | $449,772,253 | 15.17% | $378,507,860 | 11.47% | $309,697,578 | 11.57% | 3.67% | -15.84% |
| Provide Civilian Training | $5,966,669 | 0.22% | $2,263,536 | 0.08% | $5,775,494 | 0.18% | $4,492,775 | 0.17% | -62.06% | 155.15% |
| Provide Military Training | $164,888,541 | 6.19% | $176,652,646 | 5.96% | $199,271,809 | 6.04% | $146,643,435 | 5.48% | 7.13% | 12.80% |
| Provide Range Management | $26,279,045 | 0.99% | $33,616,423 | 1.13% | $40,119,871 | 1.22% | $41,106,858 | 1.54% | 27.92% | 19.35% |
| Provide Aviation Operation Support | $86,547,834 | 3.25% | $126,235,421 | 4.26% | $122,493,127 | 3.71% | $101,968,953 | 3.81% | 45.86% | -2.96% |
| Provide Simulation Support | $4,531,564 | 0.17% | $2,959,536 | 0.10% | $3,592,214 | 0.11% | $2,292,055 | 0.09% | -34.69% | 21.38% |
| Provide Visual Information | $14,711,359 | 0.55% | $17,837,830 | 0.60% | $24,210,452 | 0.73% | $13,535,166 | 0.51% | 21.25% | 35.73% |
| **Training and Operations Support** | $302,925,012 | 11.37% | $359,565,392 | 12.13% | $395,462,967 | 11.98% | $310,039,242 | 11.58% | 18.70% | 9.98% |
| Provide Security (Force Protection) | $113,059,793 | 4.24% | $131,721,288 | 4.44% | $157,508,941 | 4.77% | $112,906,774 | 4.22% | 16.51% | 19.58% |
| Manage Safety Programs | $15,673,334 | 0.59% | $12,543,337 | 0.42% | $17,657,408 | 0.54% | $13,264,733 | 0.50% | -19.97% | 40.77% |
| Provide Fire Protection and Emergency Services | $56,544,717 | 2.12% | $54,029,537 | 1.82% | $72,277,621 | 2.19% | $72,874,712 | 2.72% | -4.45% | 33.77% |
| **Security and Safety** | $185,277,844 | 6.95% | $198,294,162 | 6.69% | $247,443,970 | 7.50% | $199,046,219 | 7.44% | 7.03% | 24.79% |
| Provide Data Services | $67,285,901 | 2.53% | $73,039,027 | 2.46% | $52,760,809 | 1.60% | $35,791,293 | 1.34% | 8.55% | -27.76% |
| Provide Voice | $34,367,627 | 1.29% | $40,146,466 | 1.35% | $46,682,710 | 1.41% | $41,700,488 | 1.56% | 16.81% | 16.28% |
| Provide Ground Electronic Maintenance | $16,899,611 | 0.63% | $20,465,222 | 0.69% | $24,079,687 | 0.73% | $13,138,116 | 0.49% | 21.10% | 17.66% |
| **Information Technology** | $118,553,139 | 4.45% | $133,650,715 | 4.51% | $123,523,206 | 3.74% | $90,629,897 | 3.39% | 12.73% | -7.58% |
| **Total Support for Operating Forces** | $2,003,208,931 | 75.19% | $2,252,939,406 | 76.00% | $2,215,412,326 | 67.13% | $1,980,363,902 | 74.00% | 12.47% | -1.67% |
| **Support for Marines and their Families** | | | | | | | | | | |
| **Community Services** | $1,031,194,199 | 38.70% | $466,703,503 | 15.74% | $657,225,520 | 19.91% | $385,539,543 | 14.41% | -54.74% | 40.82% |

# O&M – Total Cost of Service--as Defined by External

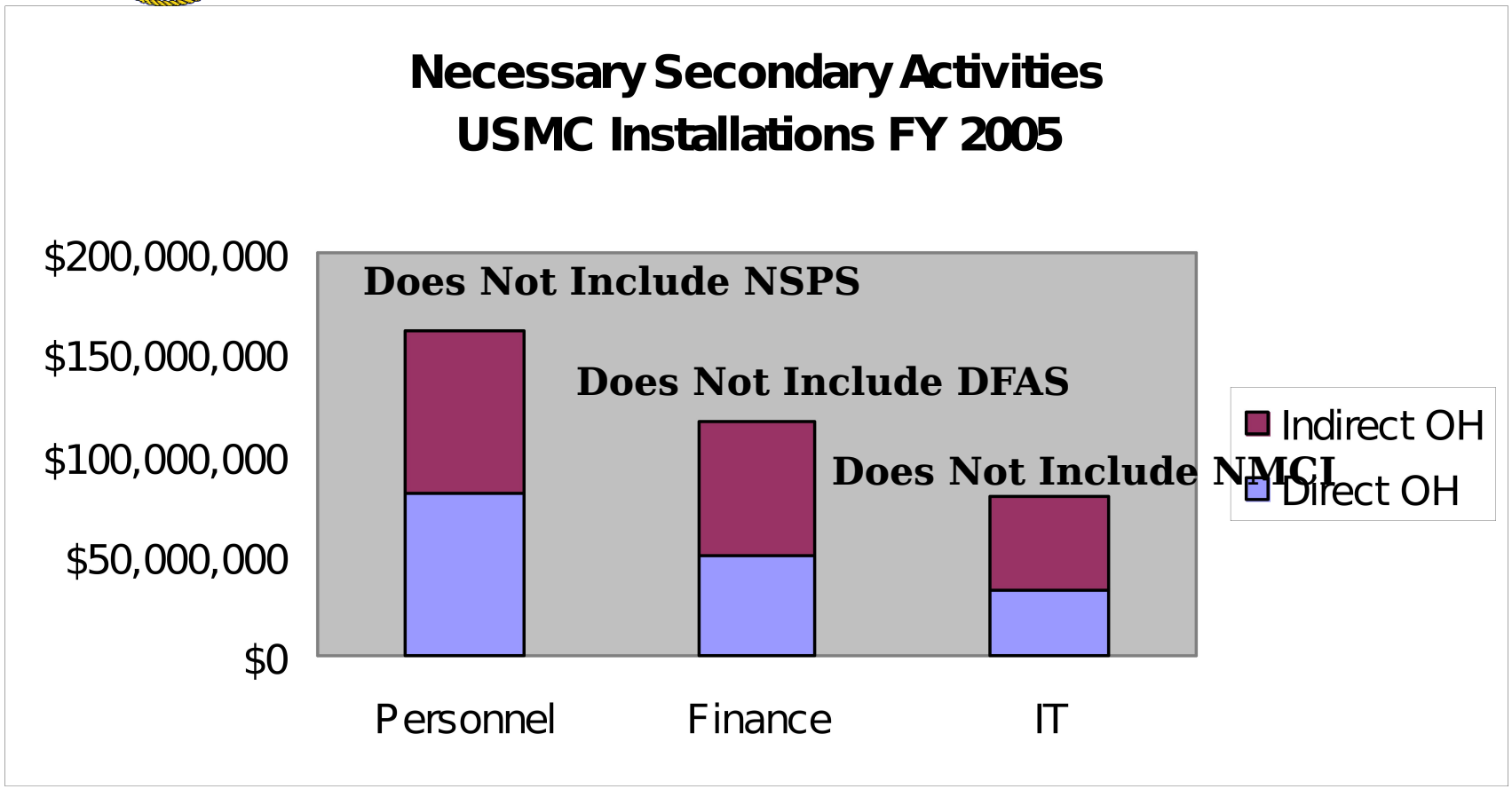


# Example Internal Demand for C&P Results --Trend Analysis

"...necessary secondary activities..."
HR, Finance, IT, HQ, etc.



# C & P Includes Indirect OH




**Total cost to all departments on base to prepare required admin paperwork (indirect costs) is about the same as the cost of running the admin departments themselves (direct costs)**

# Sources and Uses of Installation Funds

## FY 2003 Sources and Use of Installation Funds

| SOURCE of Funds: | OMMC 54% | Military 27% | NAF 11% | | Govt of Japan 4% | Family Housing 4% | Total USMC 100% |
|---|---|---|---|---|---|---|---|
| | $1,737,190,000 | $849,393,000 | $360,261,000 | (Amount) | $135,786,000 | $132,563,000 | $3,215,193,000 |
| | 8,843 | 17,142 | 4,067 | (FTE) | 3,762 | 362 | 34,176 |

USE of Funds: Work

| Major Business Processe | Cost | Percent | FTE | Percent |
|---|---|---|---|---|
| Facilities and Land Mgmt | $1,195,675,000 | 37% | 5,326 | 16% |
| Community Services | 517,800,000 | 16% | 6,098 | 18% |
| Training and Ops Support | 402,013,000 | 13% | 6,698 | 20% |
| Comnd and Staff Support | 383,632,000 | 12% | 5,836 | 17% |
| Logistics Support | 351,042,000 | 11% | 3,753 | 11% |
| Security and Safety | 231,223,000 | 7% | 4,670 | 14% |
| Information Technology | 133,808,000 | 4% | 1,795 | 5% |

Total USMC: $ 3,215,193,000 / 34,176

| Location | Marine Corps Bases 52% | Marine Corps Air Stations 32% | Recruit Depots 10% | Logistics Bases 4% | HQ Support Activities 2% | Total USMC 100% |
|---|---|---|---|---|---|---|
| | $1,675,727,000 | $1,020,229,000 | $319,353,000 | $135,761,000 | $64,123,000 | $3,215,193,000 |
| | 17,900 | 10,424 | 3,784 | 1,120 | 948 | 34,176 |

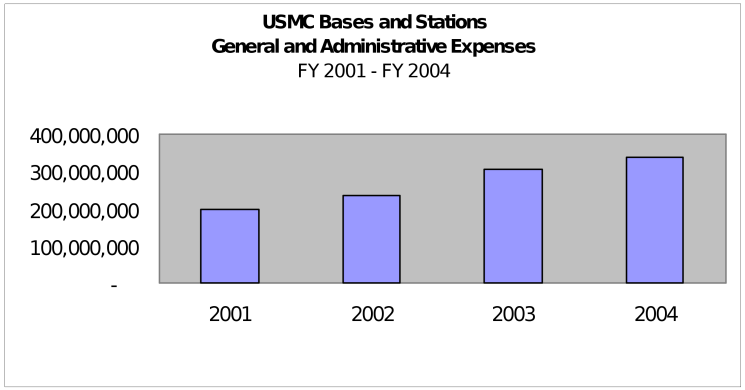
Customer

| Installation Customer | Cost | FTE | % |
|---|---|---|---|
| Operating Forces | $ 658,471,526 | 7,000 | 20% |
| Installation Operations | 1,401,181,109 | 14,893 | 44% |
| Base Tenants | 470,382,736 | 5,000 | 15% |
| Marines & their Families | 685,157,628 | 7,283 | 21% |

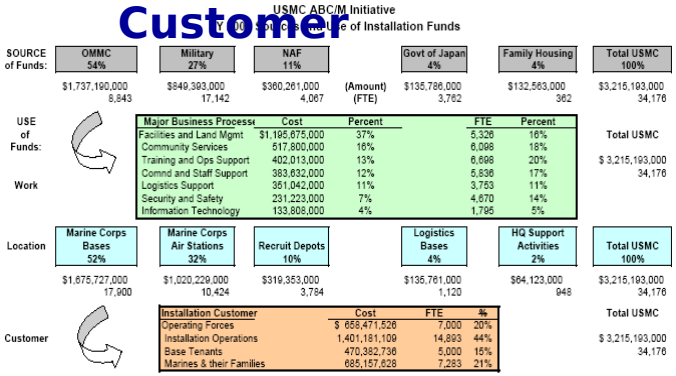
Total USMC: $ 3,215,193,000 / 34,176

# How Some types of Cost and Performance Information is Derived: Activity-based Costing (ABC)

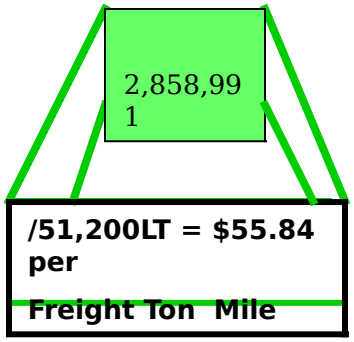
## Trend Analysis



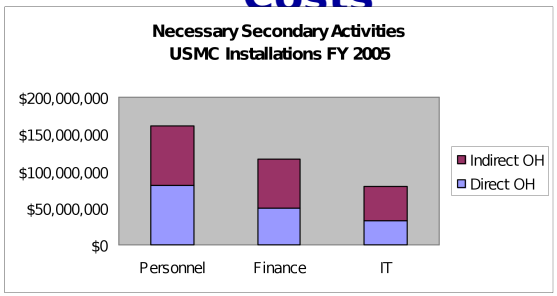

## Total Cost by Customer



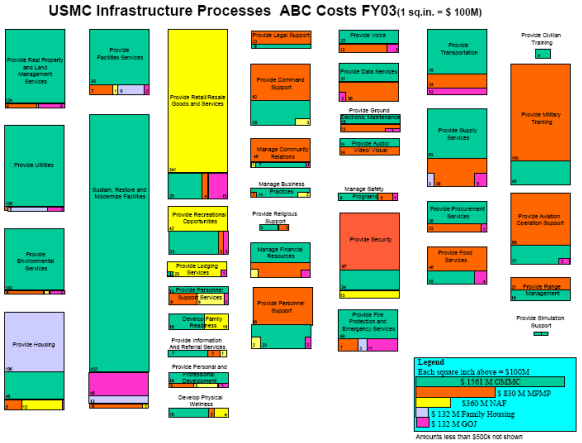

## Unit Cost Calculations




## Identification of Indirect Costs




## Total Cost by Process


USMC Infrastructure Processes ABC Costs FY03 (1 sq.in. = $ 100M)
Legend
Each square inch above = $100M
$ 1561 M OMMC
$ 830 M MPMP
$360 M NAF
$ 132 M Family Housing
$ 132 M GOJ
Amounts less than $500k not shown

# DoD Standard ABC Software Users (2004)

| US DOD Agencies | Licenses | PRODUCT |
|---|---|---|
| Defense CEETA (Communications Electronic Evaluation & Test Activity) | 4 | Oros ABC/M |
| Defense Commissary Agency (DeCA) | 1 | Oros ABC/M |
| Defense Information Systems Agency (DISA) | 12 | Oros ABC/M |
| Defense Security Cooperation Agency (DSCA) | 13 | Oros ABC/M |
| Defense Intelligence Agency | 9 | Oros ABC/M |
| Defense Logistics Agency (DLA) | 2 | Oros ABC/M |
| Defense Logistics Agency-HQ | 8 | Oros ABC/M |
| Defense Logistics Agency - Defense Supply Center, Columbus (DSCC) | 6 | Oros ABC/M |
| Defense Logistics Agency - Defense Reutilization & Marketing Service (DRMS) | 6 | Oros ABC/M |
| Defense Logistics Agency - Defense Energy Support Center (DESC) | 2 | Oros ABC/M |
| Defense Logistics Agency - Defense Supply Center, Richmond (DSCR) | 20 | Oros ABC/M |
| Defense Finance & Accounting Services (DFAS-CP) | 37 | Oros ABC/M |
| Defense Information Systems Agency (DISA-CIM/XF) | 6 | Oros ABC/M |
| Defense Technical Information Center (DTIC) | 6 | Oros ABC/M |
| DoD I t Total Asset Visibility Office | 2 | Oros ABC/M |
| George C. Marshall Center for Security Studies | 6 | Oros ABC/M |
| Institute for Defense Analyses | 1 | Oros ABC/M |
| I oint Forces Intelligence Command | 6 | Oros ABC/M |
| National Security Agency | 1 | Oros ABC/M |
| US Atlantic Command - I TASC | 12 | Oros ABC/M |
| TOTAL DEFENSE AGENCIES | 160 | |
| U.S. ARMY | 833 | |
| U.S. NAVY | 281 | |
| U.S. MARINE CORPS | 372 | |
| U.S. AIR FORCE | 364 | |
| **TOTAL ORGANIZATIONS USING OROS** | **2,010** | |

# Cost by Course of Action

**COA 1** Dismantle existing ABC technology support Total $ 0.00
(Discontinue ABC)

**COA 2** Data Warehouse maintenance (Engineer) $600K
(Maintain ABC on Life Support)

| | | |
|---|---|---|
| **COA 3** | Upgrade ABC Software | $600K |
| (Revitalize ABC | Training, annual maintenance | 300K |
| | Model Support Services | 150K |
| | Data Warehouse maintenance | 600K |
| | Total | $1,650K |

# Example of Internal Demand for C&P Results--Unit Cost Calculation

| | Command & Staff | Community Services | Training Support | Facility Support | Logistics Support | Information Technology | Overhead | Public Safety | Major Process |
|---|---|---|---|---|---|---|---|---|---|
| MCIWEST | $73,733,332 | $134,977,095 | $78,112,425 | $358,288,289 | $98,048,284 | $23,688,411 | $144,510,306 | $58,685,649 | $970,043,791 |
| TECOM | $37,313,055 | $24,144,549 | $109,013,419 | $51,212,405 | $22,273,997 | $4,657,085 | $13,846,465 | $6,850,475 | $269,311,450 |
| MCINCR | $14,081,371 | $30,151,953 | $2,871,115 | $71,156,659 | $16,685,361 | $9,264,810 | $19,755,786 | $25,408,939 | $189,375,994 |
| MCIEAST | $109,593,746 | $82,711,733 | $98,705,715 | $348,164,5 | 88,774,9 | $24,567,759 | $88,092,930 | $48,326,117 | $888,937,468 |
| MCIWESTPAC | $32,969,120 | $94,282,125 | $25,126,4 | $121,014,7 | $69,232,49 | $18,488,940 | $91,896,426 | $41,599,785 | $494,610,172 |
| MCIMIDTPAC | $14,100,930 | $28,970,1 | $12,339,448 | $75,208,933 | $16,030,694 | $5,613,011 | $30,981,565 | $7,949,053 | $191,198,873 |
| **Region** | **$281,7** | **$395,237,694** | **$326,168,6** | **$1,025,045,4** | **$311,045,793** | **$86,285,01** | **$9,083,478** | **$188,820,01** | 3,003,477,748 |

| | Supply Services | Food Services | Procurement Services | Transportation Services | Logistics Support |
|---|---|---|---|---|---|
| MCAF Quantico | $3,004,950 | $0 | $662,849 | $0 | $3,667,799 |
| MCAS New River | $961,018 | $1,140,109 | $357,859 | $114,325 | $2,573,311 |
| MCB Camp Lejeune | $28,591,249 | $3,472,520 | $2,170,86 | 9,933,05 | $44,167,676 |
| MCAS Cherry Point | $6,082,427 | $2,284,376 | $2,3 3,912 | $3,545,769 | $14,266,484 |
| MCAS Beaufort | $3,597,405 | $2,361,456 | $201,710 | $1,452,279 | $7,0 12,850 |
| MCLB Albany | $1,533,730 | $0 | $32,084 | $14,921,025 | $16,48 839 |
| **MCIEAST** | **$43,770,779** | **$9,258,461** | **$5,779,278** | **$29,966,441** | **$88,774,9 9** |

88,774,959

| Transportation Services | Freight | Maintain Vehicles | Operator | Passenger Service | Personnel Property | Fleet Management |
|---|---|---|---|---|---|---|
| Camp Lejeune | 2,858,991 | 1,856,331 | 1,183,133 | 1,866,022 | 474,515 | 9,933,053 |

/51,200LT = $55.84 per

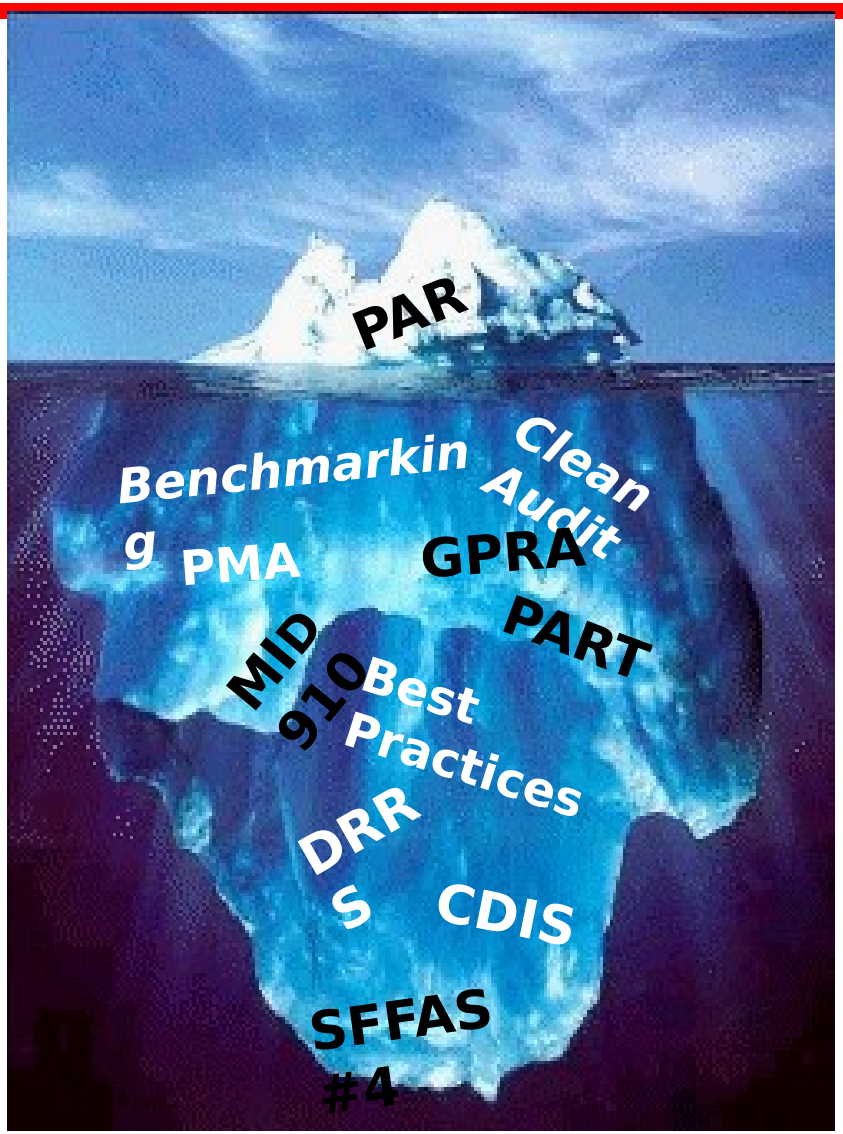
/2,151 = $550.00 per

Unit Costs

# Summary: Determining the Cost and Performance of Operations is Required

**Question 1:**

**How should C&P information be gathered?**




**Question 2:**

**How should C&P information be used?**

# Obstacles…

## . . . to adoption of Cost and Performance Management

**Improved business processes could reduce costs by eliminating unnecessary work;**

**BUT…**

**Managers are penalized if funds are not spent by year-end.**

**AND**

**Productivity gains are needed to offset budget cuts and redirect funds to higher priority work;**

**BUT…**

**Many employees won't contribute or help carry out labor saving ideas if they think their jobs are at risk as a result.**